

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	613017
<015>	Study Area Name	ALASKA TEL CO
<020>	Program Year	2015
<030>	Contact Name: Person USAC should contact with questions about this data	Michael Garrett
<035>	Contact Telephone Number: Number of the person identified in data line <030>	3603851733 ext.160
<039>	Contact Email Address: Email of the person identified in data line <030>	mike.g@aptalaska.com

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
(check box when complete)			
<100>	Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>
<200>	Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>
<210>	<input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>
<300>	Unfulfilled Service Requests (voice)	0	
<310>	Detail on Attempts (voice)	(attach descriptive document)	
<320>	Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>
<330>	Detail on Attempts (broadband)	(attach descriptive document)	
<400>	Number of Complaints per 1,000 customers (voice)		
<410>	Fixed	0.0	<input checked="" type="checkbox"/>
<420>	Mobile	0.0	<input checked="" type="checkbox"/>
<430>	Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>
<440>	Fixed	0.0	
<450>	Mobile	0.0	
<500>	Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>
<510>	613017ak510.pdf	(attached descriptive document)	<input checked="" type="checkbox"/>
<600>	Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>
<610>	613017ak610.pdf	(attached descriptive document)	<input checked="" type="checkbox"/>
<700>	Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>
<710>	Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>
<800>	Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>
<900>	Tribal Land Offerings (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>
<1000>	Voice Services Rate Comparability	(check to indicate certification)	<input checked="" type="checkbox"/>
<1010>		(attach descriptive document)	
<1100>	Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input checked="" type="checkbox"/>
<1110>		(complete attached worksheet)	<input checked="" type="checkbox"/>
<1200>	Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>

(100) Service Quality Improvement Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	
<035>	Contact Telephone Number - Number of person identified in data line <030>	Michael Garrett 3603851733 ext.160
<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaaska.com
<110>	Has your company received its ETC certification from the FCC?	<input checked="" type="radio"/> (yes / no)
<111>	If your answer to Line <110> is yes, do you have an existing "5 year plan" filed with the FCC?	<input type="radio"/> (yes / no)

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

613017ak112.xls

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document

Please check these boxes below to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113>	Maps detailing progress towards meeting plan targets	<input type="checkbox"/>
<114>	Report how much universal service (USF) support was received	<input checked="" type="checkbox"/>
<115>	How (USF) was used to improve service quality	<input checked="" type="checkbox"/>
<116>	How (USF) was used to improve service coverage	<input checked="" type="checkbox"/>
<117>	How (USF) was used to improve service capacity	<input checked="" type="checkbox"/>
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	<input type="checkbox"/>

**(200) Service Outage Reporting (Voice)
Data Collection Form**

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[illegible]

(900) Tribal Lands Reporting
Data Collection Form

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<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaska.com

<910>	Tribal Land(s) on which ETC Serves	<div>This LSC serves areas in Alaska</div>
<920>	Tribal Government Engagement Obligation	<div>613017ak920.pdf</div>

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select (Yes, No, NA)
Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes

(1100) No Terrestrial Backhaul Reporting

Data Collection Form

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☐

Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G)

<1120>

☐

Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G)

<1130>

(1200) Terms and Condition for Lifeline Customers

Lifeline Data Collection Form

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<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaska.com

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans		Name of Attached Document
<1220>	Link to Public Website	HTTP	://www.aptalaska.com/index.php?action=switchPage&pageID=91

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>	Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

(2000) Price Cap Carrier Additional Documentation

Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

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Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

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CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting		
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>
Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))		
<2012>	2013 Frozen Support Certification	<input type="checkbox"/>
<2013>	2014 Frozen Support Certification	<input type="checkbox"/>
<2014>	2015 Frozen Support Certification	<input type="checkbox"/>
<2015>	2016 and future Frozen Support Certification	<input type="checkbox"/>
Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))		
<2016>	Certification Support Used to Build Broadband	<input type="checkbox"/>
Connect America Phase II Reporting (47 CFR § 54.313(e))		
<2017>	3rd year Broadband Service Certification	<input type="checkbox"/>
<2018>	5th year Broadband Service Certification	<input type="checkbox"/>
<2019>	Interim Progress Certification	<input type="checkbox"/>
<2020>	Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	

<2021>	Interim Progress Community Anchor Institutions	<div></div>
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Name of Attached Document Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	mike_g@apta.alaska.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3010)	Progress Report on 5 Year Plan	
	Milestone Certification (47 CFR § 54.313(f)(1)(ii))	

(3011)	Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<input type="checkbox"/>
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(3012)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(iii))	
	Name of Attached Document Listing Required Information	

(3013)	Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))	<input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	<input type="radio"/>

Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	<input type="checkbox"/>
(3016)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>

(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	
	Name of Attached Document Listing Required Information	

(3018)	If the response is no on line 3014, Is your company audited?	<input type="radio"/>
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If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains

(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications	<input checked="" type="checkbox"/>
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(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<input checked="" type="checkbox"/>
--------	---	-------------------------------------

(3021)	Management letter issued by the independent certified public accountant that performed the company's financial audit.	<input checked="" type="checkbox"/>
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If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,	<input type="checkbox"/>
--------	---	--------------------------

(3023)	Underlying information subjected to a review by an independent certified public accountant	<input type="checkbox"/>
--------	--	--------------------------

(3024)	Underlying information subjected to an officer certification.	<input type="checkbox"/>
--------	---	--------------------------

(3025)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>
--------	---	--------------------------

(3026)	Attach the worksheet listing required information	
	Name of Attached Document Listing Required Information	613017ak3026.pdf

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: ALASKA TEL CO	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 06/30/2014
Printed name of Authorized Officer: Michael Garret	
Title or position of Authorized Officer: Executive Vice President	
Telephone number of Authorized Officer: 3603851733 ext.160	
Study Area Code of Reporting Carrier: 613017	Filing Due Date for this form: 07/01/2014
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

**(700) Price Offerings including Voice Rate Data
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1/1/2014	
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<701>	Residential Local Service Charge Effective Date
<702>	Single State-wide Residential Local Service Charge

<703>

[illegible]

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<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaska.com
<810>	Reporting Carrier	Alaska Telephone Company
<811>	Holding Company	Alaska Power & Telephone Company
<812>	Operating Company	Alaska Telephone Company

[illegible]

Alaska Telephone Company
Line 112 - 5 Year Service Quality Improvement Plan

Wire Center Name	CLI Code	Access Line Count	Middle Mile Transport	% Capable 1MB / 256K	% Capable 4MB / 1MB	Broadband Available	Notes	Forecasted Capital Budget by Exchange				
								2014	2015	2016	2017	2018
Chisana	CHSNAKXADS1	3	Satellite Only	100%	No		It is not cost effective to procure Sat transport and provide service to these few customers. ATC is attempting to abandon service in this exchange. No Capital investment is contemplated.					
Craig	CRAGAKXADS1	866	Terrestrial		80% Yes		Some plant investmet will be needed in the next 5 years to get 100% of the plant capable of FCC minimum throughput. The proposed investment includes shortening loop lengths.	114,433			100,000	100,000
Dot Lake	DTLAKXADS1	17	Satellite Only	100%	100% No		Local plant is capable of the current FCC minimums. However middle mile transport makes provision of broadband service in this exchange not feasible. If a fiber route is developed between Delta Junction and Tok then service could be provisioned.					
Dry Creek	DRCKAKYADS1	38	Satellite Only	100%	100% No		Local plant is capable of the current FCC minimums. However middle mile transport makes provision of broadband service in this exchange not feasible. If a fiber route is developed between Delta Junction and Tok then service could be provisioned.					
Edna Bay	EDBYAKXADS1	25	Satellite Only	100%	100% No		Currently it is not feasible or sustainable to service this site with Broadband. AT&T had already recieved RUS grants to provide service in this exchange and intends to abandon service tdue to middle mile costs.					
Haines/Kluwan	HANSAXADS0	1,493	Terrestrial		85% Yes		The cost to provide higher tier service to the remaining populus is not cost effective. The remaining 15% will take \$1,000,000 to build out.	101,633				
Healy Lake	HYLAKXADS1	2	Terrestrial	100%	100% No		It is not cost effective to procure Sat transport and provide service to these few customers. ATC is attempting to abandon service in this exchange. No Capital investment is contemplated.					
Hollis	HOLSAXADS1	86	Terrestrial		100% Yes		No more investment is needed.					
Hydaburg	HYBGAKXADS1	129	Terrestrial		100% Yes		No more investment is needed.					
Hyder		64	N/A		No		Hyder is unique. Due to its location it is served via Telus in Canada out of its Stewart BC exchange. We have no plant investment in this community.					
Metlakatla	MTKTAXXADS0	699	Terrestrial		100% Yes		No more investment is needed.					
Myers Chuck	MYCHAXXADS1	6	Terrestrial		No		It is not feasible, cost effective or sustainable to provide broadband service to this site.					
Naukati	NUKIAKXADS1	58	Terrestrial		85% No		Once fiber is terminated braodband service can be deployed with minimal investment. It is expected transport will be available in 2015.	65,000				
Petersburg	PTBRAKXADS0	1,665	Terrestrial		100% Yes		No more investment is needed.	192,336				
Skagway	SKWYAKXADS2	1,041	Terrestrial		99% Yes		The remaining investment to service the last 1% is not cost effective.	57,697				
Tetlin	TLINAKXBDS1	56	Terrestrial		100% No		No more investment is needed. Middle mile transport was an issue but that is expected to be eliminated no later than 2015.	19,234				
Tok	TOKXADS1	933	Terrestrial		95% Yes		The cost to provide higher tier service to the remaining populus is not cost effective.					
Whale Pass	WPSSAKXADS1	51	Satelite Only	80%	No		It is not feasible, cost effective or sustainable to provide broadband service to this site.					
Wrangell	WRGLAKXADS0	1,195	Terrestrial		100% Yes		No more investment is needed.	42,915				
								528,248	65,000	0	100,000	100,000

5 Year Service Quality Budget

Narrative

The minimal capital requirements by exchange are discussed above.

It should be noted that in Alaska High cost loop support is used in rate making to reduce local rates. At the time local rates were last developed for ATC recovery from HCL was over \$1,000,000. As you can see below, HCL is only \$361,000. Other components of high cost recovery are used to recover investments previously made years ago and operating costs that support voice and broadband services

As one can see support is far less than the operating costs and capital investment needed to provide service.
Given the regulatory compact, high cost funding should also provide a return on investment necessary to attract further future investment.
Support does not currently meet the goal of providing a return of investment

2013 Support was:	Amount
HCLS	361,206
ICLS	970,404
LSS	375,858
ICC	657,930
Federal Lifeline and Linkup	247,768
	<u>2,613,166</u>

Capital Budget - Summary from above

	2014	2015	2016	2017	2018
	528,248	65,000	0	100,000	100,000

Operating Expense

	2014	2015	2016	2017	2018
Plant Specific	4,294,193	4,251,676	4,209,580	4,167,901	4,126,635
Plant Non Specific	2,292,448	2,269,750	2,247,277	2,225,027	2,202,997
Depreciation	2,556,212	2,530,903	2,505,845	2,481,035	2,456,470
Customer Ops	941,572	932,250	923,020	913,881	904,833
Corporate Ops	2,257,512	2,235,160	2,213,030	2,191,119	2,169,425
Total Opex	<u>12,341,937</u>	<u>12,219,739</u>	<u>12,098,752</u>	<u>11,978,963</u>	<u>11,860,360</u>
Total Budget	<u>12,870,185</u>	<u>12,284,739</u>	<u>12,098,752</u>	<u>12,078,963</u>	<u>11,960,360</u>



Michael Garrett, CPA
Exec VP / COO - Telecom
P.O. Box 3222
193 Otto Street
Port Townsend, WA 98368

Voice (360) 385-1733 Ext 160
Fax (360) 385-5177
mike.g@aptalaska.com

Alaska Telephone Company
SAC - 613017

Line 510 - Service Standards

ATC complies with all known service standards and consumer protection rules, including but not limited to:

- Alaska Administrative Code 3 AAC 52.200 through 3 AAC 52.340 - State service standards.
- Federal CNPI rules
- Federal Red Flag rules

Submitted

Michael Garrett
Executive Vice President, AP&T
P.O. Box 3222
Port Townsend WA 98368
Phone: (360) 385-1733 x160
Fax: (360) 385-5177
Email: mike.g@aptalaska.com



Michael Garrett, CPA
Exec VP / COO - Telecom
P.O. Box 3222
193 Otto Street
Port Townsend, WA 98368

Voice (360) 385-1733 Ext 160
Fax (360) 385-5177
mike.g@aptalaska.com

Alaska Telephone Company
SAC - 613017

Line 610 - Function in Emergency Situations

ATC maintains critical spares and other redundant equipment that will allow it to keep local voice service operating in emergencies. Given the communities it serves are very isolated with limited access (primarily by air) very few communities have emergency services that are based locally. ATC also maintains sufficient back generation or battery capacity handle extend power outages. Given a complete Central Office outage it is possible, in many cases to have the switching function performed in another exchange. ATC has never had such an outage in its 55+ year history.

Aside from maintaining a critical spare inventory ATC monitors its equipment locally and remotely. When an outage of significant size occurs, local personal, sufficiently trained, are dispatched to handle the outage.

Emergency service provider calls can be routed on alternate paths if the situation arises.

ATC does serve many small, remote areas where no local personnel exist. These are exchanges with very few residents (for instance Chisana, Alaska can only be accessed by air and during winter has less than 10 end users, Healy Lake, Alaska has between 1 and 2 end users). Almost all of these remote areas have no local anchor institutions or emergency services. Connectivity to the world is the responsibility of the interchange carrier as ATC is only the local service provider.

Lastly, ATC performs preventive maintenance as part of its monitoring practice to eliminate all but the uncontrollable, acts of nature, type of outages.

Submitted

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Line 920 - Tribal Government Engagement

Alaska is different than other states. All of Alaska land is considered tribal but there are only 2 locations (ATC serves both of them) I know of in Alaska where tribal governments manage businesses, licenses, rights-of-way, property ownership etc. Those two communities are Tetlin (approximately 30 residents) and Metlakatla (approximately 900 residents). The native organizations in the other communities are private corporations not government entities.

The corporate structure is relatively simple but can also be complex. There are regional corporations and small local corporations which have a connection to the region but are somewhat autonomous. Attached is a list of the regional and local corporations within ATC study area and include with the list are the two native governments.

Tribal Governments

Metlakatla - Management (Local Lead tech, Director of Operations and Director of Broadband Quality, Director of Marketing) - Have continuing discussions with local government official about the governments telecom needs and the needs of the community in general. Broadband speeds have met FCC minimums long before the FCC codified the minimums. Local plant is capable of much higher speeds but middle mile transport outside the community is an issue. ATC is able to meet very high capacity needs on an individual case basis but most of those support local community infrastructure and anchor institutions. ATC has discussed long term planning which requires the plan to be feasible and sustainable and middle mile transport dominates those brief discussions. We rarely market products but when we do it includes local input as we have local personnel in our employ onsite. Given we have worked with the Metlakatla Indian Community (MIC) for decades, we already comply with local rights of way, business licensing and land issues. In the case of land issues, we work with MIC and the Bureau of Indian Affairs (BIA) as appropriate.

Tetlin - ATC has had outreach (through the normal course of business) to this remote and small community (approximately 30 residents). We have discussed voice and broadband issues, feasibility and sustainability but we don't market services through adds only direct contact. Our broadband team has worked and lived in Alaska (and some are native) s they are culturally sensitive. Given ATC has worked in this community decades we adhere to all laws, regulations and rules that they promulgate (which are few).

Tribal Corporations and Organizations

ATC through its parent AP&T, work with regional organizations in regards to telecom and energy as a routine part of the business.

Sealaska Corporation - Regional Corporation of Southeast Alaska

Discussions with Sealaska range from joint ventures, land leases and coordination of activities in both telecom and energy. While they own lands they are non-the-less a corporation where rules, regulations and laws about land usage and ownership are the jurisdiction of the State of Alaska. In these discussions we have detailed our plans for broadband deployment and they have reciprocated with a determination of community needs as they know them. Marketing and sensitivities to culture come from different discussions with other entities and employees.

Doyon Corporation

Few areas ATC serves are covered under Doyon Corporation. Doyon covers the interior region and any discussions between ATC and Doyon have been informal. Most of the direct conversations in interior areas have been with local corporations.

Local Tribal Corporations / Organizations

Local discussions by locally based employee have occurred on an informal basis. There are no local anchor institutions given the size of these communities. None of these communities govern land or business activities as envisioned by the FCC. However, as a normal course of business we have frequent contact with local corporations related to providing telecom services (and also energy services of our affiliate who is the regulated electric distribution company).

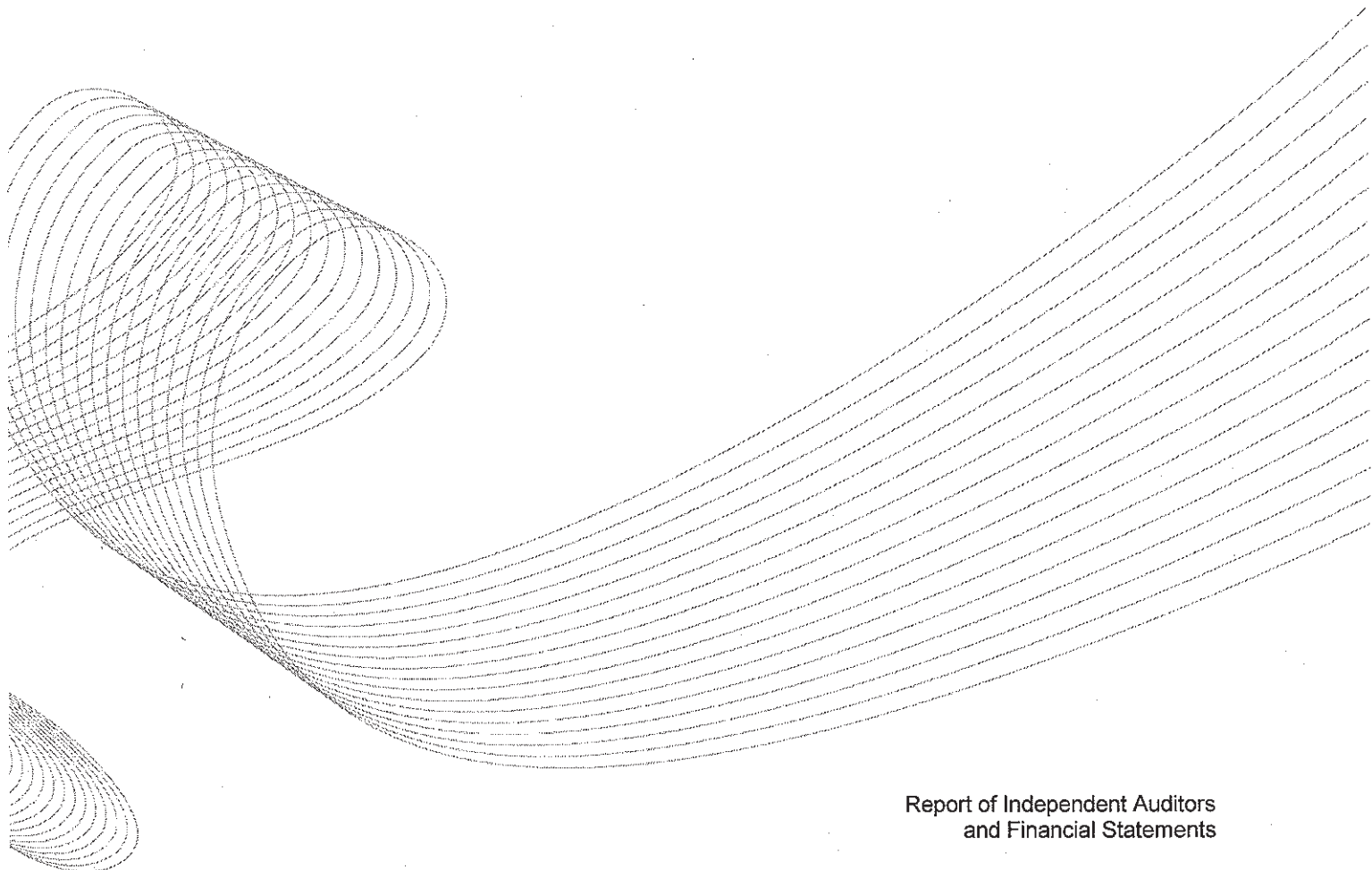
In conclusion, ATC has had formal discussions with local tribal governments (Metlakatla and Tetlin) as required by the community outreach. However this is not new as ATC has worked with these entities for decades. ATC through its parent has had similar discussion with regional tribal organizations about needs of the region. Local tribal organizations are contacted frequently in the normal course of business as ATC is the LEC providing local service and its affiliate is the electric utility.

Submitted

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Port Townsend WA 98368
Phone: (360) 385-1733 x160
Fax: (360) 385-5177
Email: mike.g@aptalaska.com

ATC Tribal Outreach Program

Exchange	List Tribal Organizations / Corporations	Contact Information			
		Address	City	Zip	Phone
Craig	Craig Tribal Association Shaan-Seet, Inc.	PO Box 828	Craig	99921	907.826.3996
		PO Box 690	Craig	99921	907.826.3251
Hydaburg	Hydaburg Cooperative Association Haida Corporation	PO Box 349	Hydaburg	99922	907.285.2666
		PO Box 89	Hydaburg	99922	907.285.3721
Hollis	No local organizations				
Chisana	No local organizations				
Edna Bay	No local organizations				
Dry Creek	No local organizations				
Whale Pass	No local organizations				
Hyder	No local organizations				
Naukati	No local organizations				
Meyers Chuck	No local organizations				
Wrangell	Wrangell Cooperative - Shakes	PO Box 2021	Wrangell	99929	907.874.4304
Petersburg	Petersburg Indian Association	PO Box 1418	Petersburg	99833	907.772.3636
Haines	Chilkoot Indian Association	PO Box 490	Haines	99827	907.766.2323
Klukwan	Klukwan, Inc.	PO Box 209	Haines	99827	907.766-2211
Skagway	Skagway Village	PO Box 1157	Skagway	99840	907.983.4068
Tok	No local organization				
Tanacross	Native Village of Tanacross Tanacross Inc.	PO Box 76009	Tanacross	99776	907.883.5024
		PO Box 76029	Tanacross	99776	907.883.4130
Dot Lake	Village of Dot Lake Dot Lake Native Corporation	PO Box 2279	Dot Lake	99737	907.882.2695
		3500 Wolf Run	Fairbanks	99709	907.347.1251
Healy Lake	Healy Lake Trade Village Corporation Mendas Cha-ag Native Corporation	PO Box 60300, Healy Lake 19	Fairbanks	99706	
		457 Cindy Drive	Fairbanks	99701	
Regional Corporations					
Covers all of SE Alaska Sealaska Corporation		One Sealaska Plaza, Suite 400	Juneau	99801	907.586.1512
Covers all Interior Exch Doyon Corporation		1 Doyon Place Suite 300	Fairbanks	99701	907.459.2000
Tribal Governments					
Metlakatla	Metlakatla Indian Community	PO Box 8	Metlakatla	99926	907.886.4441
Tetlin	Native Village of Tetlin Tetlin Native Corporation	PO Box 797	Tok	99780	907.883.2021
		PO Box 657	Tok	99780	tetlinvillagecouncil@gmail.com



Report of Independent Auditors
and Financial Statements

Alaska Telephone Company

December 31, 2013 and 2012

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

CONTENTS

	PAGE
REPORT OF INDEPENDENT AUDITORS	1-2
FINANCIAL STATEMENTS	
Balance sheets	3-4
Statements of income	5
Statements of stockholder's equity	6
Statements of cash flows	7
Notes to financial statements	8-15

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Alaska Telephone Company

Report on the Financial Statements

We have audited the accompanying financial statements of Alaska Telephone Company (Company), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

REPORT OF INDEPENDENT AUDITORS
(continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaska Telephone Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MOSS ADAMS LLP

Spokane, Washington
April 14, 2014

ALASKA TELEPHONE COMPANY
BALANCE SHEETS

ASSETS

	December 31,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 38,424	\$ 37,294
Subscriber accounts receivable, less allowance of \$10,625 in 2013 and \$8,280 in 2012	567,402	538,472
Settlements and access accounts receivable	606,292	994,831
Other accounts receivable	68,750	119,786
Advances to affiliates	916,956	-
Material and supplies	181,840	193,475
Other assets	119,774	67,948
Total current assets	2,499,438	1,951,806
NONCURRENT ASSETS		
Goodwill	8,550,741	8,550,741
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications plant in service	57,154,036	53,730,515
Telecommunications plant under construction	168,726	4,365
Telecommunications plant held for future use	47,823	54,623
	57,370,585	53,789,503
Less accumulated depreciation	41,703,676	38,719,077
	15,666,909	15,070,426
Total assets	\$ 26,717,088	\$ 25,572,973

ALASKA TELEPHONE COMPANY
BALANCE SHEETS

LIABILITIES AND STOCKHOLDER'S EQUITY

	December 31,	
	2013	2012
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 8,937
Advanced billing and customer deposits	271,105	280,576
Deferred income taxes	18,943	23,628
Accrued taxes and other accrued liabilities	42,269	73,084
	<u>332,317</u>	<u>386,225</u>
DEFERRED INCOME TAXES	<u>5,115,656</u>	<u>4,705,187</u>
	<u>5,447,973</u>	<u>5,091,412</u>
STOCKHOLDER'S EQUITY		
Common stock, \$1 par value, 500,000 shares authorized; 100,000 shares issued and outstanding	100,000	100,000
Additional paid-in capital	17,095,658	17,095,658
Retained earnings	4,073,457	3,285,903
	<u>21,269,115</u>	<u>20,481,561</u>
Total liabilities and stockholder's equity	<u><u>\$ 26,717,088</u></u>	<u><u>\$ 25,572,973</u></u>

ALASKA TELEPHONE COMPANY
STATEMENTS OF INCOME

	Years Ended December 31,	
	2013	2012
Operating revenues		
Wireline		
Customer	\$ 4,330,620	\$ 4,392,676
Intercarrier - interstate	6,056,601	5,070,608
Intercarrier - intrastate	1,412,955	1,567,267
Universal service support	2,877,055	3,613,493
Total wireline revenues	14,677,231	14,644,044
Miscellaneous	327,007	469,418
	<u>15,004,238</u>	<u>15,113,462</u>
Operating expenses		
Plant specific operations	4,055,283	4,710,182
Plant nonspecific operations	2,461,582	2,173,200
Depreciation	3,729,061	3,181,343
Customer operations	1,049,827	960,731
Corporate operations	2,265,859	2,098,375
Other operating taxes	117,547	96,819
	<u>13,679,159</u>	<u>13,220,650</u>
Net operating income	1,325,079	1,892,812
Income taxes	<u>537,525</u>	<u>737,646</u>
Net income	<u>\$ 787,554</u>	<u>\$ 1,155,166</u>

ALASKA TELEPHONE COMPANY
STATEMENTS OF STOCKHOLDER'S EQUITY

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, December 31, 2011	\$ 100,000	\$ 11,261,118	\$ 5,545,091	\$ 16,906,209
Net income	-	-	1,155,166	1,155,166
Dividends paid to parent	-	-	(3,414,354)	(3,414,354)
Capital contributions	-	5,834,540	-	5,834,540
Balance, December 31, 2012	100,000	17,095,658	3,285,903	20,481,561
Net income	-	-	787,554	787,554
Balance, December 31, 2013	<u>\$ 100,000</u>	<u>\$ 17,095,658</u>	<u>\$ 4,073,457</u>	<u>\$ 21,269,115</u>

ALASKA TELEPHONE COMPANY
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 787,554	\$ 1,155,166
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	3,729,061	3,181,343
Deferred income taxes	325,155	1,441,197
Change in assets and liabilities		
Accounts receivable	410,645	41,145
Material and supplies	11,635	28,063
Other current assets	(51,826)	(45,014)
Accounts payable	(8,937)	6,445
Advance billing and customer deposits	(9,471)	(16,537)
Accrued taxes and other accrued liabilities	(30,815)	640
Net cash from operating activities	5,163,001	5,792,448
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisition of telecommunications plant	(1,466,195)	(2,378,701)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances to affiliates	(3,695,676)	-
Dividends paid to parent	-	(3,414,354)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,130	(607)
CASH AND CASH EQUIVALENTS at beginning of year	37,294	37,901
CASH AND CASH EQUIVALENTS at end of year	\$ 38,424	\$ 37,294
NONCASH INVESTING AND FINANCING ACTIVITIES		
Contribution of telecommunications plant from affiliate	\$ 2,859,349	\$ 5,834,540

ALASKA TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Description of entity – Alaska Telephone Company (Company or ATC) is an incumbent local exchange carrier that provides telephone and other related telecommunication services in Alaska. The Company is wholly-owned by Alaska Power & Telephone Company, Inc. (AP&T).

Accounting policies – The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting prescribed by the Federal Communications Commission (FCC).

Accounting estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation expense, the fair value of goodwill, deferred income taxes, and interstate access revenues. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents are defined as short-term, highly liquid investments that were purchased with an original maturity of three months or less and are readily convertible into cash. Cash equivalents are stated at cost and primarily consist of money market savings accounts.

Concentration of risks – At various times throughout the year, cash balances exceeded federally insured limits. A possible loss exists for those amounts that exceed the federally insured limits.

In 2013, the Company received \$2.9 million, or 19% of its revenue from the Federal Universal Service Fund. In 2012, the Company received \$3.6 million, or 24.0% of its revenue from the Federal Universal Service Fund.

Accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Company reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding 30 to 60 days before payment is received. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes it has established adequate reserves for any risk associated with these receivables.

ALASKA TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Material and supplies – Material and supplies consist of construction materials and are valued at the lower of average cost or market.

Property, plant, and equipment – Property, plant, and equipment are stated at cost. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

Property, plant, and equipment are depreciated using straight-line methods over their estimated useful lives. In accordance with composite group depreciation methodology, when a portion of the Company's depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation. For income tax purposes, ATC computes depreciation using accelerated methods where permitted.

Income taxes – The Company is a member of a group that files consolidated federal income tax returns and a combined unitary Alaska return. Accordingly, income taxes payable to (refundable from) the tax authorities are recognized on the financial statements of the parent company who is the taxpayer for income tax purposes. The members of the consolidated group allocate payments to any member of the group for the income tax reduction resulting from the member's inclusion in the consolidated return, or the member makes payments to the parent company for its allocated share of the consolidated income tax liability. This allocation approximates the amount that would be reported if the Company was separately filing its tax returns.

Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2013 and 2012, the Company had no accrued amounts related to uncertain tax positions. The Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2010.

Revenue recognition – Monthly service fees derived from local wireline are billed one month in advance, but recognized in the month that service is provided.

ALASKA TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue recognition (continued) – Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls) are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

Interstate access revenues also include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. Additionally, the studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. There was an insignificant revenue impact in 2013 and 2012 for adjustments related to prior year differences between the recorded estimates and actual revenues. Furthermore, management does not anticipate that 2013 and 2012 recorded revenues will require significant adjustments in future years.

Intrastate access revenues include revenues received from revenue pools administered by the Alaska Exchange Carrier Association that are based on the Company's relative cost of providing intrastate access service. These revenues are based on projections submitted periodically and intrastate access cost studies that are normally submitted every two years. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2013 or 2012.

The Company's wireline universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal service support revenue includes funds received for high cost loop support (HCLS), interstate common line support (ICLS), local switching support (LSS), Connect America Fund (CAF), and other miscellaneous programs. CAF replaced LSS in July 2012. High cost loop support and interstate common line support are based on the Company's current relative level of operating expense and plant investment. Support from the Connect America Fund is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 interstate access revenues, which together make up the CAF base. The CAF base will be reduced by 5% each year in determining CAF support.

Regulation – The Company's services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the Regulatory Commission of Alaska. The FCC also has preemptive authority to regulate intrastate telecommunications services, including intrastate access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.

ALASKA TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Regulation (continued) –

- Universal service support revenues are administered by the Universal Service Administrative Company (USAC), based on rules established by the FCC.

Other sources of revenues are not rate regulated and include equipment sales, directory, rents, and other incidental services.

The FCC reformed Intercarrier Compensation and Universal Service Funding (USF) mechanisms. The majority of the new rules took effect, subject to various transition provisions, on July 1, 2012, as follows:

- Limitations on the amount of support received per line
- Limitations on capital expenditures and operating expenses recoverable from the USF
- Benchmarks for minimum local rates charged to end users by recipients of support
- The establishment of the Access Recovery Charge billed to end users
- The elimination of local switching support
- The establishment of the CAF, a new funding mechanism for investment and expenses related to the switching and transport functions
- The structured reduction of carrier access rates charged by the Company to other carriers using its network to complete long distance calls

Management is monitoring the impacts of the reform on an on-going basis.

Access revenues – Access revenues are classified as follows:

- Customer revenues include end user charges such as the Subscriber Line Charge (SLC), the Federal Universal Service Charge (FUSC), Access Recovery Charge (ARC), and the state access charge.
- Universal service support includes HCLS, LSS, ICLS, CAF, lifeline, and linkup.
- All access charge and settlement revenue, except as described above, is classified as intercarrier revenue.

ALASKA TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Related party transactions – ATC is a wholly-owned subsidiary and is included in the consolidated financial statements of AP&T. Certain allocations are made from the parent company that could result in the operating results or financial position of ATC being different from those that would have been obtained had the entities been autonomous. AP&T employs all employees of ATC and allocates certain employee costs to ATC. These costs are allocated based on cost allocation procedures that have been approved by the Regulatory Commission of Alaska. Employee costs in the amounts of \$5,457,918 and \$5,344,812 were allocated to ATC in 2013 and 2012, respectively. All eligible employees can participate in the AP&T stock ownership plan. AP&T does not impute or charge interest expense for amounts that relate to intercompany indebtedness; accordingly, no amount is recorded as a reduction of interest expense on the books of the subsidiaries for allowance for funds used during construction (AFUDC).

ATC purchases microwave transport services from AP&T Wireless, another wholly-owned subsidiary of AP&T, for the transmission of ATC traffic across AP&T Wireless' network. The amounts of these charges were \$-0- and \$1,105,982 in 2013 and 2012, respectively.

Advertising expenses – The Company expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2013 and 2012, were \$107,431 and \$100,413, respectively.

Taxes imposed by governmental authorities – The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with its customers. These specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Fair value measurements – Fair value represents the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The Company follows the following fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value measurement guidance is applicable to the Company's goodwill.

ALASKA TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Goodwill – In 1999, the Company purchased properties from GTE Alaska. The excess of the purchase price over the fair value of the assets acquired has been recorded as goodwill. The goodwill is tested annually for impairment by management evaluating if current events and circumstances indicate that it is more likely than not the fair value of the reporting unit is less than its carrying value. If management's analysis indicates that it is more likely than not the fair value is less than the carrying value, the fair value of the reporting unit is calculated and compared to the carrying value. Management has reviewed events and circumstances that may indicate decreases in fair value of goodwill and has concluded no impairment exists at December 31, 2013.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through April 14, 2014, which is the date the financial statements are available to be issued.

Note 2 – Property, Plant, and Equipment

Property, plant, and equipment balances, together with accumulated depreciation, consist of the following at December 31:

	<u>Plant Account</u>	<u>Accumulated Depreciation</u>	<u>2013 Net Balance</u>	<u>2012 Net Balance</u>
Plant in service	\$ 57,154,036	\$ 41,703,676	\$ 15,450,360	\$ 15,011,438
Plant under construction	168,726	-	168,726	4,365
Plant held for future use	47,823	-	47,823	54,623
Total	<u>\$ 57,370,585</u>	<u>\$ 41,703,676</u>	<u>\$ 15,666,909</u>	<u>\$ 15,070,426</u>

ALASKA TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 2 – Property, Plant, and Equipment (continued)

Telecommunications plant in service balances, together with accumulated depreciation balances, consist of the following at December 31:

	<u>Depreciation Rate</u>	<u>Plant Account</u>	<u>Accumulated Depreciation</u>	<u>2013 Net Balance</u>	<u>2012 Net Balance</u>
Telecommunications plant in service					
General support assets	0%-20%	\$ 10,507,131	\$ 7,656,063	\$ 2,851,068	\$ 2,994,224
Central office assets	11%-14%	26,346,006	18,213,525	8,132,481	6,926,012
Cable and wire facilities	3%-6%	20,300,899	15,834,088	4,466,811	5,091,202
		<u>\$ 57,154,036</u>	<u>\$ 41,703,676</u>	<u>\$ 15,450,360</u>	<u>\$ 15,011,438</u>

Note 3 – Income Taxes

The components of the provision for income tax expense for the years ended December 31 are:

	<u>2013</u>	<u>2012</u>
Current		
Federal	\$ 169,227	\$ 576,022
State	43,143	157,799
Deferred		
Federal	325,155	3,825
	<u>\$ 537,525</u>	<u>\$ 737,646</u>

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before taxes due to the effects of state taxes (net of federal benefit), nondeductible items, nontaxable items, and prior year over or under accruals. Income tax (benefit) expense is classified as follows at December 31:

	<u>2013</u>	<u>2012</u>
Operating income taxes	\$ 770,946	\$ 971,067
Nonoperating income taxes	(233,421)	(233,421)
	<u>\$ 537,525</u>	<u>\$ 737,646</u>

ALASKA TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 3 – Income Taxes (continued)

The components of the net deferred tax liability recorded in the accompanying balance sheets at December 31 are:

	<u>2013</u>	<u>2012</u>
Current deferred tax (assets) liabilities		
Allowance for doubtful accounts	\$ (4,208)	\$ (3,278)
Prepaid expenses	<u>23,151</u>	<u>26,906</u>
Total net current deferred tax liability	<u>18,943</u>	<u>23,628</u>
Noncurrent deferred tax (assets) liabilities		
Acquisitions	(60,184)	(60,184)
Tax amortization and depreciation greater than book	<u>5,175,840</u>	<u>4,765,371</u>
Total net noncurrent deferred tax liability	<u>5,115,656</u>	<u>4,705,187</u>
Net deferred tax liability	<u><u>\$ 5,134,599</u></u>	<u><u>\$ 4,728,815</u></u>

During 2012, the deferred tax liability increased by approximately \$1,400,000 due to the difference in book and tax basis of assets that were transferred from AP&T Wireless. There was no gain or loss recognized, and therefore no deferred tax expense was recorded on ATC's books.

The net deferred tax liability is classified as follows:

	<u>2013</u>	<u>2012</u>
Regulated operations	\$ 2,197,726	\$ 2,025,363
Nonoperating	<u>2,936,873</u>	<u>2,703,452</u>
	<u><u>\$ 5,134,599</u></u>	<u><u>\$ 4,728,815</u></u>